

**UNITED STATES DISTRICT COURT**

**DISTRICT OF MAINE**

**BARNES-JEWISH HOSPITAL,**

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***Plaintiff***

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**v.**

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***Misc. No. 98-33-P-DMC***

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**SYNBIOTICS CORPORATION,**

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***Defendant***

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**MEMORANDUM DECISION ON MOTION TO QUASH SUBPOENA**

Idexx Laboratories, Inc. (“Idexx”) moves pursuant to Fed. R. Civ. P. 26(c) and 45(c)(3) to quash a subpoena *duces tecum* issued by this court in connection with the above-captioned proceeding, now pending in the Eastern District of Missouri. The subpoena requires Idexx to produce the settlement agreement it negotiated with Barnes-Jewish Hospital in *Barnes-Jewish Hospital v. Idexx Laboratories, Inc.*, Civil Docket No. 95-290-P-H, a case formerly pending in this court. Both that case and the instant litigation are patent infringement lawsuits centering on a patent held by Barnes Jewish Hospital in connection with a process for detecting heartworm disease in dogs.

I conducted a telephonic hearing concerning the Idexx motion on April 10, 1998. Appearing through counsel were Idexx, plaintiff Barnes-Jewish Hospital and defendant Synbiotics Corporation (“Synbiotics”). Synbiotics pressed its opposition to the Idexx motion; Barnes-Jewish Hospital took no formal position, although it indicated that it does not object and even somewhat favors disclosure to Synbiotics of the settlement agreement at issue.

Idexx invokes the provision in Rule 45 that permits the court to quash or to modify a subpoena if it “requires disclosure of a trade secret or other confidential research, development, or commercial

information.” Fed. R. Civ. P. 45(c)(3)(B)(i). This provision also authorizes the court to order the requested appearance or production upon specified conditions “if the party in whose behalf the subpoena is issued shows a substantial need for the . . . material that cannot be otherwise met without undue hardship,” *Id.* at subpart (c)(3)(B).

Idexx bears the burden of demonstrating that the subpoena should be quashed — a burden that is heavier than it would be had Idexx requested some more limited form of protection. *Truswal Sys. Corp. v. Hydro-Air Eng’g, Inc.*, 813 F.2d 1207, 1210 (Fed. Cir. 1987). The court “must balance the relevance of the discovery sought, the requesting party’s need, and the potential hardship to the party subject to the subpoena.” *Id.* (citations and internal quotation marks omitted); *see also Composition Roofers Union Local 30 Welfare Trust Fund v. Graveley Roofing Enters., Inc.*, 160 F.R.D. 70, 72 (E.D.Pa. 1995) (requiring movant to show, “with specificity, that disclosure will work a clearly defined and serious injury to the moving party”); *Coca-Cola Bottling Co. of Shreveport, Inc. v. Coca-Cola Co.*, 107 F.R.D. 288, 293 (D.Del. 1985).

The settlement agreement sought by Synbiotics is under seal by order of this court. Indeed, although I was not involved in the negotiations that brought about the end to the litigation between Barnes-Jewish Hospital and Idexx last November, I am aware that these discussions took place over more than a month under the direct and active supervision of Chief Judge Hornby. The parties to the instant proceeding acknowledge that the negotiations, which occurred at the threshold of what would have been a long and complicated jury trial involving scientific issues of a highly technical nature, resulted in Barnes-Jewish Hospital licensing the patent at issue to Idexx. The sealed documents setting forth the particulars of the settlement agreement, which I have reviewed, make clear that maintaining the secrecy of the amount supplied by Idexx in consideration of receiving the license was

of paramount importance to Idexx.

According to Idexx, the instant dispute is a paradigm example of why it was so insistent on the confidentiality issue. Idexx represents that Synbiotics is one of its direct competitors and that Barnes-Jewish Hospital's claims against Synbiotics are virtually identical to the claims it pressed against Idexx in this district. Idexx further avers that Synbiotics has filed an unrelated complaint in an unspecified California court naming Idexx as the defendant, although the complaint has not been served. Idexx believes that Synbiotics is seeking production of the Idexx settlement agreement with Barnes-Jewish Hospital so as to ascertain what settlement position Idexx would take in the event Synbiotics moves forward with the California litigation. Idexx also contends that Synbiotics is seeking access to the settlement terms so that it can negotiate at least as favorable, if not a more favorable, settlement with Barnes-Jewish Hospital than it might otherwise, thus gaining a competitive advantage over Idexx. Synbiotics does not dispute Idexx's representations other than its competitor's surmises as to the true reasons for the subpoena.

Synbiotics contends that the terms of the settlement agreement between Barnes-Jewish Hospital and Idexx are relevant to the litigation in the Eastern District of Missouri because the settlement is probative evidence of what constitutes a reasonable royalty in the relevant market.<sup>1</sup> *See Nickson Indus., Inc. v. Rol Mfg. Co.*, 847 F.2d 795, 798 (Fed. Cir. 1988) (in patent case, an established

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<sup>1</sup> Barnes-Jewish Hospital pointed out at hearing that the existence of a licensing agreement involving the patent is also probative of its validity in the face of Synbiotics's contentions regarding the obviousness of the invention at issue. *See In re Mahurkar Double Lumen Hemodialysis Catheter Patent Litig.*, 831 F.Supp. 1354, 1378-79 (N.D.Ill. 1993) (evidence of settlement agreements with other manufacturers admissible in patent litigation as secondary evidence of patent validity when agreements involve licensing of patent at issue). Once the existence of a license is known, disclosure of the particulars of such an agreement would yield no additional probative evidence on the issue of patent validity.

royalty “will usually be the best measure of what is a ‘reasonable’ royalty” and thus, yardstick for damages to which plaintiff entitled) There is no question that the evidence sought via the subpoena is relevant for the reason asserted by Synbiotics.<sup>2</sup> The issue is whether Synbiotics’s need to acquire the information for the stated purposes is outweighed by Idexx’s interest in maintaining the secrecy of what is unassailably commercial information of the most confidential sort. I conclude that it is.

The circumstances in which Idexx reached the licensing agreement with Barnes-Jewish Hospital are so unlike ordinary negotiations that the agreement’s usefulness as a yardstick for future licenses is significantly attenuated. This was anything but a situation in which the owner of a patent simply sat down with a company desiring to purchase the right to use the invention in question. Idexx and Barnes-Jewish Hospital were not merely calculating the value of a license from their respective viewpoints, but were factoring in the significant incurred costs of litigation and its protracted continuation, as well as each side’s likelihood of success as to the numerous issues raised by the lawsuit. It is also apparent that the right to maintain the confidentiality of the agreement had a significant monetary value to Idexx and that, had Barnes-Jewish Hospital and the court been unwilling to place the agreement under seal, Idexx would have insisted on different financial terms.

Against what I view as the limited probative value of the requested disclosure, I must measure the significant competitive harm that would accrue to Idexx should this highly sensitive commercial information become known to a direct competitor. Obviously, in these circumstances there is no protective order or other measures short of non-disclosure to Synbiotics that can protect the interest asserted by Idexx. On the other hand, Synbiotics is aware that the patent at issue has been licensed

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<sup>2</sup> I thus do not agree with Idexx that the subpoena should be quashed because the information sought is not “reasonably calculated to lead to the discovery of admissible evidence” as required by Fed. R. Civ. P. 26(b)(1).

to four entities other than Idexx, albeit before Barnes-Jewish Hospital acquired the rights to the patent in 1996. *See* Declaration of Paul J. André at ¶¶ 6-7. Thus, the Idexx agreement is not the only potential source of data concerning reasonable royalty rates for the patent held by Barnes-Jewish Hospital.

Idexx further takes the position that the court should quash the subpoena for public policy reasons — specifically, the court’s interest in maintaining the integrity of the settlement process. This position has some appeal. Having promised the parties to the lawsuit between Idexx and Barnes-Jewish Hospital that the terms of their settlement agreement will remain under seal after being hammered out with significant court involvement, the court has an institutional interest in following through on its commitment. On the other hand, Synbiotics argues forcefully that court involvement in the settlement does not change the calculus. I find it unnecessary to resolve the question whether the court may take such an interest into account, because I am convinced that Idexx is entitled to the requested protection under the straightforward balancing test applied in *Truswal*, *Composition Roofers* and *Coca-Cola*.

Accordingly, the motion by Idexx Laboratories, Inc. to quash the subpoena served upon it by Synbiotics Corporation is **GRANTED**.

Dated this 16th day of April, 1998.

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David M. Cohen  
United States Magistrate Judge